

In the Matter of	)	No. G 03-58
	)	
National Merit Insurance Company	)	
	)	
Authorized Domestic Insurer	)	FINDINGS, CONCLUSIONS, AND
	)	
	)	ORDER ADOPTING REPORT
	)	
	)	OF
	)	
	)	MARKET CONDUCT EXAMINATION

## BACKGROUND

An examination of the market conduct of **National Merit Insurance Company** (the Company) as of August 31, 2002, was conducted by examiners of the Washington Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a stock insurer, and is domiciled in Washington. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and comments and recommendations was transmitted to the Company for comments on February 19, 2003. The Company's response to the report is attached to this order only for the purpose of providing convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

## **FINDINGS**

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 3 through 28 of the report.

## **CONCLUSIONS**

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the market conduct examination of National Merit Insurance Company, and to order the Company to take the actions described in the Instructions and Recommendations section of the report. The Commissioner acknowledges that the Company may have implemented the Instructions and Recommendations prior to the date of this order. The Instructions and Recommendations in the report are an appropriate response to the matters found in the examination.

## **ORDER**

The market conduct examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions contained in the examination report on page 22.

1. The Company is ordered to comply with WAC 284-30-660 to establish procedures that ensure all advertising using A M Best or similar rating scales are fully explained in the advertisement. (Instruction 1)
2. The Company is ordered to identify the companies' home office or principal office location on advertising to ensure compliance with RCW 48.30.050. (Instruction 2)
3. The Company is ordered to ensure that binders are issued within one day of binding coverage pursuant to the requirement of WAC 284-30-560(2). (Instruction 3)
4. The Company is ordered to comply with all requirements of RCW 48.19.040 in the rating and issuance of policies. (Instruction 4)
5. The Company is ordered to comply with WAC 284-30-330(9) to ensure that the coverage under which claims are paid is disclosed to first party claimants, either on the check, or under separate cover. (Instruction 5)
6. The Company is ordered to consider revising its application for boats to clearly capture identification that would make insureds eligible for credits, such as navigational aids, or boating safety courses. (Recommendation 1)

IT IS FURTHER ORDERED THAT, the Company file with the Chief Market Conduct Examiner within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Tumwater, Washington, this 28<sup>th</sup> day of April, 2003.

MIKE KREIDLER  
Insurance Commissioner